

**CAPITAL INVESTMENT CREDIT**

Attach to your Income Tax Return

Name as Shown on Tax Return

County

SSN or FEIN

**IMPORTANT:** Use 2010 version of this form to claim credit for qualifying investments made in an Economic Impact Zone before January 1, 2011. Prior year forms are available at [www.dor.sc.gov](http://www.dor.sc.gov).

**Purpose:** Use this form to claim the capital investment credit for qualified investments made in this State on or after January 1, 2011. This schedule must be completed and filed with the income tax return in order to claim a capital investment credit for the cost basis of qualified manufacturing and productive equipment property.

**Read the definitions on the reverse side carefully before completing this schedule.**

Enter qualified manufacturing and productive equipment property on the schedule below.

**NOTE:** Qualified property is property used as an integral part of manufacturing or production or used as an integral part of extracting or furnishing transportation, communications, electrical energy, gas, water or sewage disposal services in this State and meets the other requirements of SC Code Section 12-14-60. **Credit cannot be taken on property transferred from somewhere else unless the original use of such property commences with the taxpayer inside the State on or after January 1, 2011 or in an Economic Impact Zone before January 1, 2011. Recapture of the credit will be required if the taxpayer disposes of or removes the property from this State before the end of the applicable recovery period of the property.**

	(1) Basis	(2) Credit Percentage	(3) Credit Amount (column 1 x column 2)
1. Three-year Property	_____	0.5%	1. _____
2. Five-year Property	_____	1.0%	2. _____
3. Seven-year Property	_____	1.5%	3. _____
4. Ten-year Property	_____	2.0%	4. _____
5. Fifteen-year Property or greater	_____	2.5%	5. _____
6. Total of lines 1 through 5			6. _____
7. Unused credits from 1997 and later that are available to carry forward.			7. _____
8. Credit - Total of lines 6 and 7			8. _____
<b>Complete line 9 if subject to the license fee for utilities in SC Code Section 12-20-100.</b>			
9. <b>Utilities only:</b> Enter amount from the Worksheet in the instructions.			9. _____
10. The lesser of lines 8 and 9. This is your total credit available for the current year.			10. _____

## GENERAL INSTRUCTIONS

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### Credit amount

Effective January 1, 2011, a capital investment credit against income tax is allowed for any tax year in which the taxpayer places qualified manufacturing and productive equipment property in service in this State. The amount of the credit allowed by this section is equal to the aggregate of:

- 0.5% of total aggregate bases for all **3-year** property that qualifies;
- 1.0% of total aggregate bases for all **5-year** property that qualifies;
- 1.5% of total aggregate bases for all **7-year** property that qualifies;
- 2.0% of total aggregate bases for all **10-year** property that qualifies;
- 2.5% of total aggregate bases for all **15-year or greater** property that qualifies.

Whether property is 3-year property, 5-year property, 7-year property, 10-year property or 15-year property is determined based on the applicable recovery period for such property under Section 168(e) of the Internal Revenue Code (IRC).

### Qualified property

"Qualified manufacturing and productive equipment property" means any property:

- (a) which is used as an integral part of manufacturing or production, or used as an integral part of extraction of or furnishing transportation, communications, electrical energy, gas, water, or sewage disposal services in the economic impact zone;
- (b) which is tangible property to which IRC Section 168 applies;
- (c) which is Section 1245 property (as defined in IRC Section 1245(a)(3)); and
- (d)(i) the construction, reconstruction, or erection of which is completed by the taxpayer in this State; or  
(ii) which is acquired by the taxpayer if the original use of such property commences with the taxpayer inside this State.

In the case of any computer software which is used to control or monitor a manufacturing or production process inside this State and with respect to which depreciation (or amortization in lieu of depreciation) is allowable, the software must be treated as qualified manufacturing and productive equipment property.

This credit does not apply to any property to which the other tax credits would apply unless the taxpayer elects to waive the application of the other credits to the property.

### Credit carryover

Unused credit allowed pursuant to this section may be carried forward for 10 years from the close of the tax year in which the credit was earned.

In the case of credit unused within the initial 10-year period, a taxpayer may continue to carry forward unused credits for use in any subsequent tax years if the taxpayer:

- (a) is engaged in this State in an activity or activities listed under the North American Industry Classification System Manual (NAICS) Section 31, 32, or 33;
- (b)(i) is employing 1,000 or more full-time workers in this State and having a total capital investment in this State of not less than \$500 million; or  
(ii) is employing 850 or more full-time workers in this State and having a total capital investment in this State of not less than \$750 million; and
- (c) made a total capital investment of not less than \$50 million in the previous five years.



### Limitations

Credits carried forward beyond the initial 10-year period may not reduce a taxpayer's state income tax liability in any subsequent tax year by more than 25%.

An entity subject to the license tax provided in Section 12-20-100 is limited to \$5 million dollars in credit for investments made after June 30, 1998.

**LINE 9 WORKSHEET. Complete if your company is subject to the license fee under S.C. Code Section 12-20-100 for utilities.**

1. Total capital investment credits and Economic Impact Zone credits that can be earned for investments made after June 30, 1998 . . . . . 1. \$ \$5,000,000.00
2. Total capital investment credits and Economic Impact Zone credits used in prior years for investments made after June 30, 1998 . . . . . 2. \$ \_\_\_\_\_
3. Line 1 minus line 2 . . . . . 3. \$ \_\_\_\_\_
4. Enter amount from line 8 . . . . . 4. \$ \_\_\_\_\_
5. Enter the smaller of lines 3 or 4 here and on line 9 . . . . . 5. \$ \_\_\_\_\_

### Recapture

**If during any tax year and before the end of applicable recovery period for such property as determined under IRC Section 168(e), the taxpayer disposes of or removes from this State qualified manufacturing and productive equipment property, then the income tax due by the taxpayer for the current tax year must be increased by an amount of any credit claimed in prior years with respect to such property determined by assuming the credit is earned ratably over the useful life of the property and recapturing pro rata the unearned portion of the credit. Complete TC-11R.**

### Reduction in basis

For South Carolina income tax purposes, the basis of the qualified manufacturing and productive equipment property must be reduced by the amount of any credit claimed with respect to the property. A taxpayer required to recapture the capital investment credit may increase the basis of the property by the amount of any basis reduction attributable with claiming the investment tax credit in prior years. The basis must be increased in the year in which the credit is recaptured.

### Social Security Privacy Act Disclosure

It is mandatory that you provide your social security number on this tax form if you are an individual taking this credit. 42 U.S.C 405(c)(2)(C)(i) permits a state to use an individual's social security number as means of identification in administration of any tax. SC Regulation 117-201 mandates that any person required to make a return to the SC Department of Revenue shall provide identifying numbers, as prescribed, for securing proper identification. Your social security number is used for identification purposes.

### The Family Privacy Protection Act

Under the Family Privacy Protection Act, the collection of personal information from citizens by the Department of Revenue is limited to the information necessary for the Department to fulfill its statutory duties. In most instances, once this information is collected by the Department, it is protected by law from public disclosure. In those situations where public disclosure is not prohibited, the Family Privacy Protection Act prevents such information from being used by third parties for commercial solicitation purposes.

